



O-I FOURTH QUARTER AND FULL YEAR 2016 EARNINGS

—
FEBRUARY 2, 2017

Safe Harbor Comments

Non-GAAP Financial Measures

The Company uses certain non-GAAP financial measures, which are measures of its historical or future financial performance that are not calculated and presented in accordance with GAAP, within the meaning of applicable SEC rules. Management believes that its presentation and use of certain non-GAAP financial measures, including adjusted earnings, adjusted earnings per share, segment operating profit, segment operating profit margin and adjusted free cash flow, provide relevant and useful supplemental financial information, which is widely used by analysts and investors, as well as by management in assessing both consolidated and business unit performance. These non-GAAP measures are reconciled to the most directly comparable GAAP measures and should be considered supplemental in nature and should not be considered in isolation or be construed as being more important than comparable GAAP measures.

Adjusted earnings relates to net earnings from continuing operations attributable to the Company, exclusive of items management considers not representative of ongoing operations because such items are not reflective of the Company's principal business activity, which is glass container production. Adjusted earnings are divided by weighted average shares outstanding (diluted) to derive adjusted earnings per share. Segment operating profit relates to earnings from continuing operations before interest expense (net), provision for income taxes and is also exclusive of items management considers not representative of ongoing operations. Segment operating profit margin is segment operating profit divided by segment net sales. Management uses adjusted earnings, adjusted earnings per share, segment operating profit and segment operating profit margin to evaluate its period-over-period operating performance because it believes this provides a useful supplemental measure of the results of operations of its principal business activity by excluding items that are not reflective of such operations. Adjusted earnings, adjusted earnings per share, segment operating profit and segment operating profit margin may be useful to investors in evaluating the underlying operating performance of the Company's business as these measures eliminate items that are not reflective of its principal business activity.

Further, adjusted free cash flow relates to cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments. Management uses adjusted free cash flow to evaluate its period-over-period cash generation performance because it believes this provides a useful supplemental measure related to its principal business activity. Adjusted free cash flow may be useful to investors to assist in understanding the comparability of cash flows generated by the Company's principal business activity. It should not be inferred that the entire adjusted free cash flow amount is available for discretionary expenditures, since the Company has mandatory debt service requirements and other non-discretionary expenditures that are not deducted from the measure. Management uses non-GAAP information principally for internal reporting, forecasting, budgeting and calculating compensation payments.

Forward-Looking Statements

This document contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 27A of the Securities Act of 1933. Forward-looking statements reflect the Company's current expectations and projections about future events at the time, and thus involve uncertainty and risk. The words "believe," "expect," "anticipate," "will," "could," "would," "should," "may," "plan," "estimate," "intend," "predict," "potential," "continue," and the negatives of these words and other similar expressions generally identify forward-looking statements. It is possible the Company's future financial performance may differ from expectations due to a variety of factors including, but not limited to the following: (1) the Company's ability to integrate the Vitro Business in a timely and cost effective manner, and to realize expected growth opportunities, cost savings and synergies from the Vitro Acquisition, (2) foreign currency fluctuations relative to the U.S. dollar, (3) changes in capital availability or cost, including interest rate fluctuations and the ability of the Company to refinance debt at favorable terms, (4) the general political, economic and competitive conditions in markets and countries where the Company has operations, including uncertainties related to economic and social conditions, disruptions in capital markets, disruptions in the supply chain, competitive pricing pressures, inflation or deflation, and changes in tax rates and laws, (5) the Company's ability to generate sufficient future cash flows to ensure the Company's goodwill is not impaired, (6) consumer preferences for alternative forms of packaging, (7) cost and availability of raw materials, labor, energy and transportation, (8) the Company's ability to manage its cost structure, including its success in implementing restructuring plans and achieving cost savings, (9) consolidation among competitors and customers, (10) the Company's ability to acquire businesses and expand plants, integrate operations of acquired businesses and achieve expected synergies, (11) unanticipated expenditures with respect to environmental, safety and health laws, (12) the Company's ability to further develop its sales, marketing and product development capabilities, (13) the Company's ability to prevent and detect cybersecurity threats against its information technology systems, (14) the Company's ability to accurately estimate its total asbestos-related liability or to control the timing and occurrence of events related to asbestos-related claims, (15) changes in U.S. trade policies, (16) the Company's ability to achieve its strategic plan, and the other risk factors associated with the business described in the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC. It is not possible to foresee or identify all such factors. Any forward-looking statements in this document are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. Forward-looking statements are not a guarantee of future performance and actual results or developments may differ materially from expectations. While the Company continually reviews trends and uncertainties affecting the Company's results of operations and financial condition, the Company does not assume any obligation to update or supplement any particular forward-looking statements contained in this document.

The Company routinely posts important information on its website – www.o-i.com/investors.



Strong Performance in 2016 Sets Stage for Improved 2017

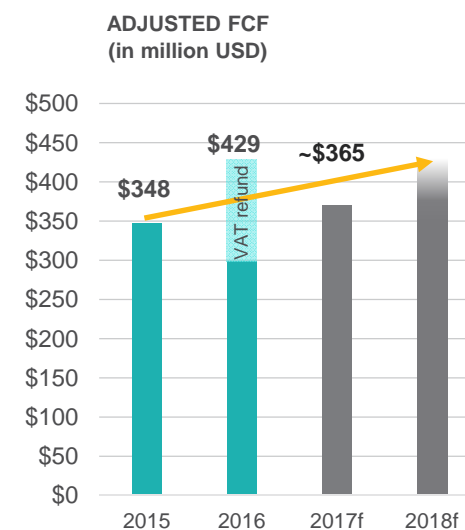
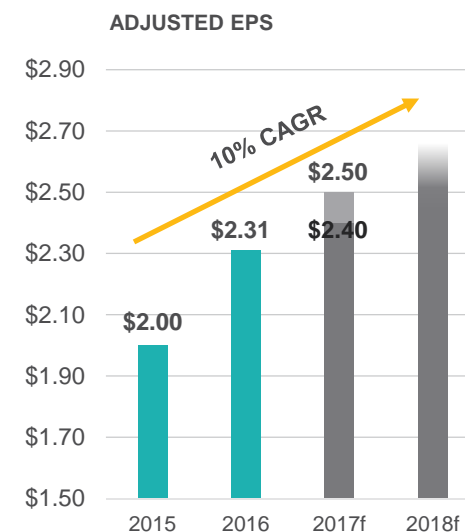
| Strong financial performance in 2016 | | 2016 Guidance | 2016 Actual |
|--------------------------------------|--|---------------|-------------|
| ✓ | Segment operating profit margin ¹ | up 100 bps | up 120 bps |
| ✓ | Adjusted EPS ² | \$2.27-\$2.32 | \$2.31 |
| ✓ | Adjusted free cash flow ³ | ~\$425M | \$429M |
| ✓ | Debt reduction ⁴ | \$180M | \$245M |

- Strategic initiatives added ~\$55M of segment operating profit
- Organic volume growth of ~1%, excluding impact of lower production volume in Asia Pacific

2017 guidance in line with investor day commitments

- Forecasting adjusted EPS of \$2.40-\$2.50
10% CAGR for adjusted EPS over 2015-2018
- Expecting adjusted FCF of ~\$365M
Higher earnings and lower inventory levels expected, for strong cash generation
- Continued de-risking of legacy liabilities and reduction in gross debt

¹ Segment operating profit margin is defined as segment operating profit divided by segment net sales. See the table entitled Reconciliation to Earnings from Continuing Operations Before Income Taxes in the appendix of this presentation.
² Adjusted EPS excludes items management does not consider representative of ongoing operations. See the table entitled Reconciliation to Adjusted Earnings and Constant Currency in the appendix of this presentation.
³ Adjusted free cash flow is defined as cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments. See appendix for Reconciliation to Adjusted Free Cash Flow.
⁴ Approximately \$58 million of the 2016 debt reduction is due to fluctuations in currency exchange rates.



Making Progress On Our Transformational Journey

ONE TEAM:

Align and collaborate to improve productivity

ONE ENTERPRISE:

Leverage best practices, scale and global reach

ONE PLAN:

Disciplined execution on the few most value-added initiatives



Strategic Initiatives Drive Results in 2016

Solid progress on all key measures

- Added ~\$55M of segment operating profit in 2016, within guidance, even though fell short of metrics
- Manufacturing efficiencies have improved at approximately 60% of facilities
- Improving the trade-off between job changes – enabling flexibility – and productivity
- Asset stability improves on better allocation of capex
- Internal process and mindset changes to improve quality are taking hold
- Inventory improvements more pronounced in EU and NA

| 2016 Operations Dashboard | Target | Actual |
|----------------------------------|---------|---------|
| Manufacturing Productivity Index | +100bps | +50 bps |
| Asset Stability Index | +25 bps | +10 bps |
| Quality Index | +80 bps | +50 bps |
| Days of Inventory | -2 Days | -2 Days |



2017 Strategic Initiatives Continue to Boost Bottom Line



TOTAL SYSTEMS COST

Expected to add \$35M-\$45M in operating profit in 2017

- Managing end-to-end supply chain costs
- Championing Integrated Business Planning efforts
- Ongoing manufacturing excellence efforts to further enhance productivity and increase flexibility
- Deploying logistics and procurement fundamentals



WORKING CAPITAL CONTRIBUTION

Expected to be a \$50M source of cash in 2017

- Leveraging the global supply chain created in 2016
- Improving supply chain visibility through advanced analytics and technology
- Promoting make-to-order replenishment model
- Deploying planning fundamentals globally



COMMERCIAL EFFORTS

Supporting market-plus volume growth in all regions

- Generating positive customer feedback on Key Account Management
- Building and strengthening strategic partnerships
- Collaborating across functions to improve customer service rates and enhance product innovation

Europe Growth Drives Margin Expansion

| 2016 Performance | Target | Actual | |
|---|----------|----------|--|
| Organic volume growth | ~ 1% | ~ 2% | Gains driven by beer and wine; other categories ~flat to PY |
| Segment operating profit margin expansion | +150 bps | +130 bps | Higher year-to-date efficiencies at >60% of EU facilities |
| | | | Energy credit essentially offsets impact of Brexit and strikes |
| | | | Lower selling prices not fully offset by energy deflation |

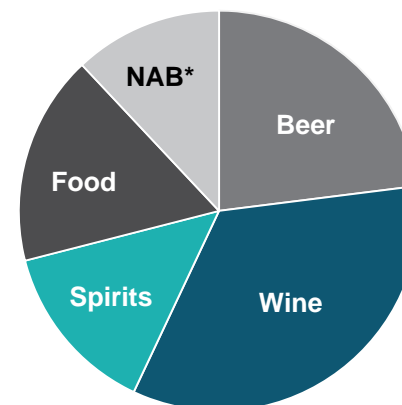
2017 Industry Outlook

- Supply/demand dynamics essentially unchanged
- Solid export trends support volume trends
- Constructive pricing environment for annual contracts

2017 O-I Outlook

- Continued focus on lowering structural costs
- Stable sales volume expected
- Modest margin expansion
 - Some headwind as 2016 cost deflation is passed on to customers under contractual price adjustment formulas

2016 SALES REVENUE BY CATEGORY



* NAB = Non-Alcoholic Beverages

North America on Track

| 2016 Performance | Target | Actual | |
|---|---------|---------|---|
| Organic volume growth | ~ 1% | ~ 1% | Growth in NAB*, wine, spirits; flat volumes in beer |
| Segment operating profit margin expansion | +20 bps | +50 bps | Higher year-to-date efficiencies at >40% of NA facilities |
| | | | Strong margin contribution from O-I Packaging Solutions |

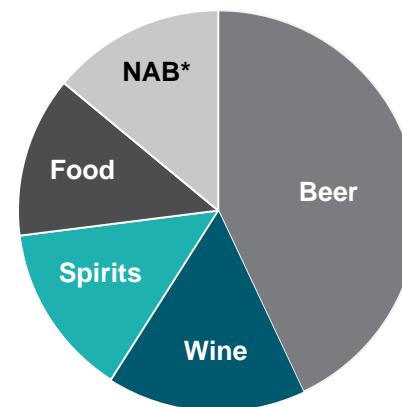
2017 Industry Outlook

- Balanced supply and demand
- Non-beer segments continue to grow
- Mainstream beer dynamics still challenging

2017 O-I Outlook

- Sales volume flat compared with prior year
- Continued focus on several strategic initiatives
- Earnings from JV with CBI to be reported in NA (not Corporate)
- Margin expansion continues

2016 SALES REVENUE BY CATEGORY



* NAB = Non-Alcoholic Beverages

Latin America: Solid Performance in Difficult Environment

| 2016 Performance | Target | Actual | |
|---|---------|----------|---|
| Organic volume growth | ~ -3% | -3% | On target despite further weakness in Brazil & Ecuador; growth in Mexico |
| Segment operating profit margin expansion | +60 bps | +160 bps | Strong margins driven by focused execution in the legacy business and the acquisition |
| | | | Higher year-to-date efficiencies at >40% of LA facilities |

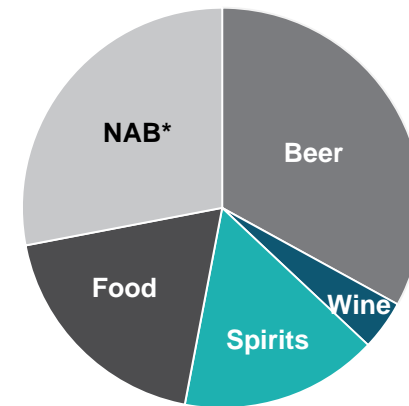
2017 Industry Outlook

- Uncertainty in Mexico macros
- Brazil flat-ish with mixed signals
 - Industrials somewhat more optimistic
 - Consumer confidence still low
- Continued growth in one-way glass in Brazil

2017 O-I Outlook

- Sales volume growth benefits top and bottom line
- Essentially offset by price-cost headwind and non-repeat of one-time benefits
- Segment operating profit contribution similar to 2016

2016 SALES REVENUE BY CATEGORY



* NAB = Non-Alcoholic Beverages

Asia Pacific Sets Stage for Strong 2017

| 2016 Performance | Target | Actual | |
|---|---------|----------|--|
| Organic volume growth | ~ 2% | ~ -3% | Shipments in mature markets up 3%, supported by production in emerging markets |
| | | | Resulted in lower domestic sales in emerging markets |
| Segment operating profit margin expansion | +25 bps | -110 bps | Significant planned engineering activity limited production in AU, NZ; expected to generate margin expansion in 2017 |
| | | | Higher year-to-date efficiencies at >70% of AP facilities |

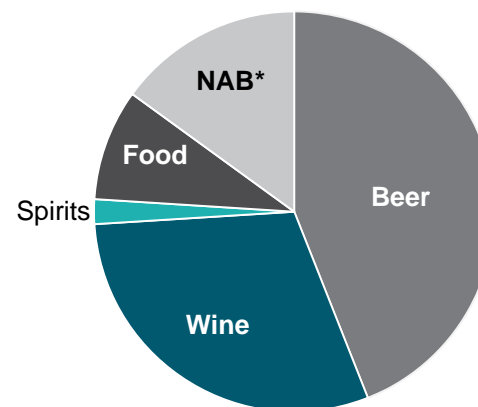
2017 Industry Outlook

- Modest growth in AU, NZ
- Stronger growth in emerging markets

2017 O-I Outlook

- Improved operational performance following 2016 engineering projects
- Higher sales volume expected for food, NAB and beer
- Strong margin gains – back on track

2016 SALES REVENUE BY CATEGORY



* NAB = Non-Alcoholic Beverages

Strong Full Year Growth in Adjusted EPS

| Full Year Adjusted EPS Bridge | | |
|--|---------------|---|
| 2015 Adjusted EPS¹ | \$2.00 | |
| Currency | (0.15) | Headwinds in Europe and Latin America |
| 2015 in constant currency¹ | 1.85 | |
| Segment operating profit | 0.78 | Strong performance from acquisition and strategic initiatives |
| Retained corporate costs | (0.09) | Higher pension and mgt. incentive expense; lack of PY hedge gains |
| Net interest expense | (0.25) | Interest expense up due to acquisition-related debt |
| Effective tax rate | 0.01 | |
| Noncontrolling interests | 0.02 | |
| Share count increase | (0.01) | |
| Total reconciling items | 0.46 | |
| 2016 Adjusted EPS | \$2.31 | Up 25% vs. prior year in constant currency |

¹ See appendix for a reconciliation to adjusted earnings and constant currency.

2016 Adjusted Free Cash Flow

| \$ Millions | 2016 Actual | Comment |
|--|-------------|---|
| Cash provided by continuing operating activities | \$758 | ~\$130M VAT refund partially offset by trade working capital Depreciation and amortization of \$491M |
| Deduct: Capital spending | (454) | Includes full year of capital spending for acquired business |
| Plus: Asbestos-related payments | 125 | \$13M lower than prior year |
| Adjusted free cash flow | \$429 | In line with management guidance of \$425M |



Business Outlook: Improving Performance Expected in 2017

2017 YoY change in segment operating profit on a constant currency basis*

| | | |
|---------------------------------|---|--|
| Europe | ▲ | Improving operational performance on stable sales volumes |
| | | Continued modest negative price-inflation spread |
| North America | ▲ | Improved operational performance |
| | | Flat sales volume; improving mix as megabeer sales continue to decline |
| | | CBI JV earnings transferred from Corporate to North America |
| Latin America | ↔ | Potential moderate improvement in Brazil; uncertainty in Mexico macros |
| | | Considerable FX-induced inflation not fully offset with price |
| Asia Pacific | ▲ | Production and sales volume growth, particularly in beer and wine |
| | | Improvement in logistics costs and operational performance |
| Segment Operating Profit | ▲ | Expected to exceed 40 bps margin expansion conveyed at investor day |

* Assumes currency rates as of January 31, 2017 continue for the remainder of the year..

2017 Non-Operational Outlook

Corporate expense expected to be similar to 5 year average

- Mexico JV earnings to be reflected in NA beginning in 2017
- Pension expense similar to 2016

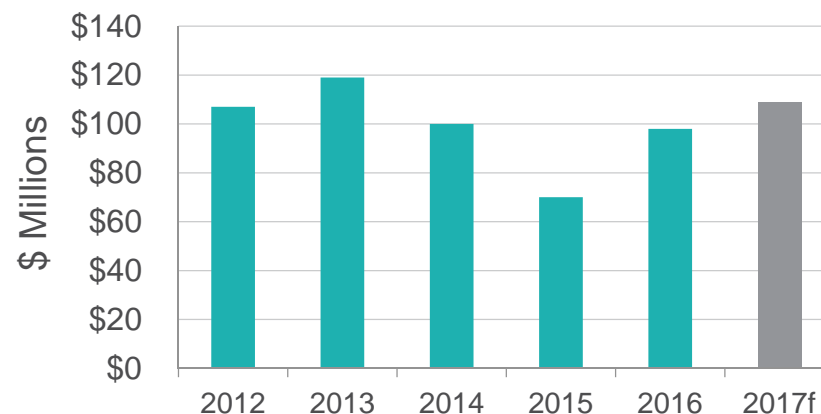
Interest expense expected to be similar to 2016

- Higher rates offset by lower debt levels

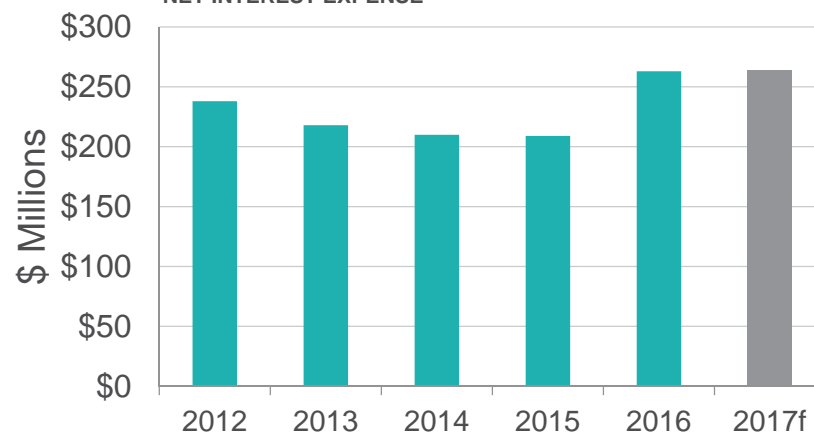
Annual tax rate¹ expected to be in the range of 24-25%

- Geographic mix of earnings

CORPORATE EXPENSE



NET INTEREST EXPENSE¹



¹ Exclusive of items management considers not representative of ongoing operations



2017 Targets In Line With Investor Day

| | 2017 Targets | Comment |
|---|---------------|--|
| Adjusted EPS | \$2.40-\$2.50 | Consistent with I-Day target of 10% CAGR |
| Adjusted free cash flow | ~\$365M | Consistent with I-Day |
| Debt reduction (FX neutral) | ~\$225M | Consistent with I-Day |
| Impact of strategic initiatives | \$35M-\$45M | Higher than I-Day |
| Organic volume growth | ~ 1% | Consistent with I-Day |
| Segment operating profit margin expansion | >40 bps | Higher than I-Day |

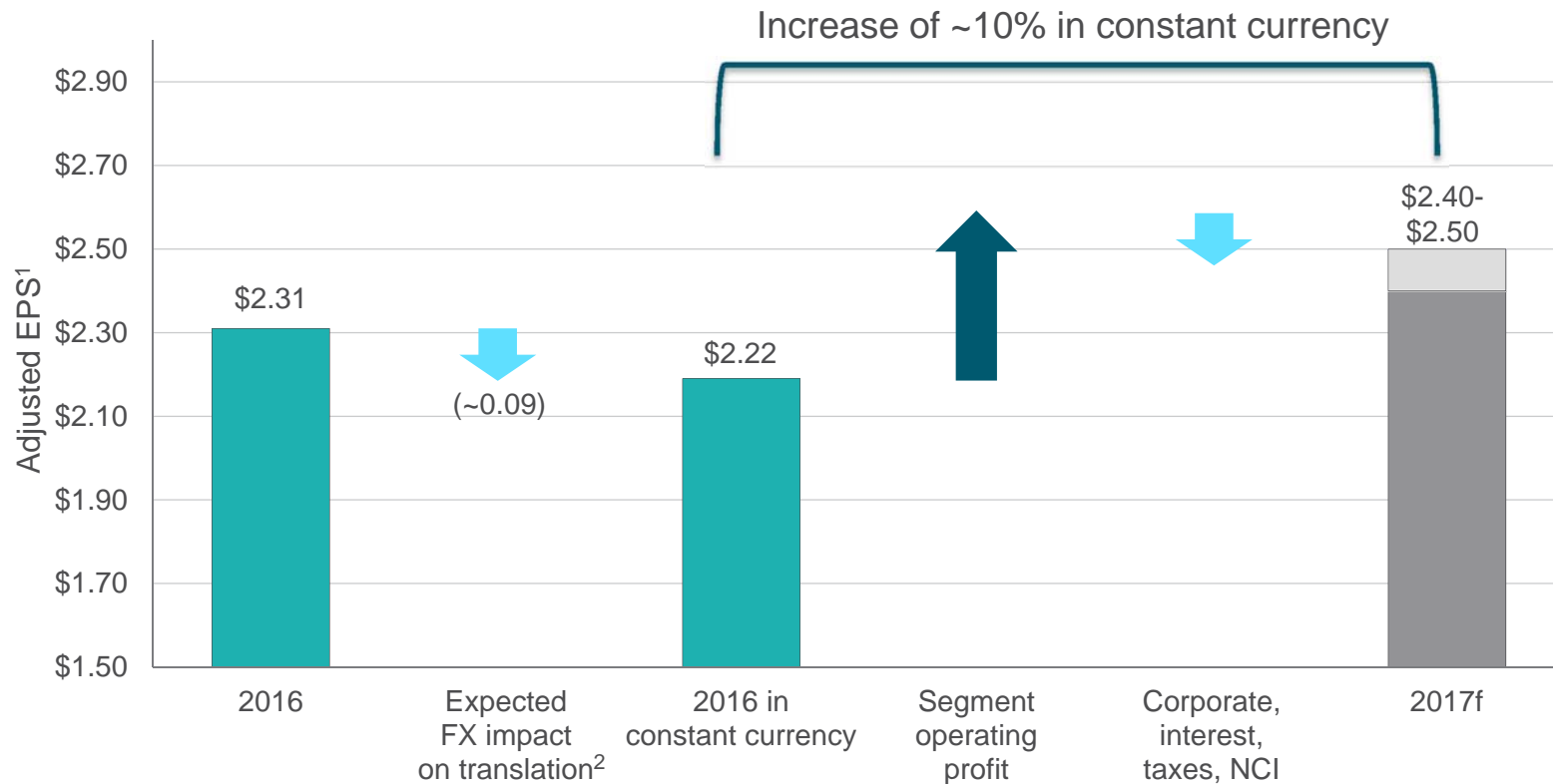


**ONE TEAM.
ONE ENTERPRISE.
ONE PLAN.**

**Strategy Execution Drives
Financial Performance.**

Higher Adjusted EPS Expected in 2017

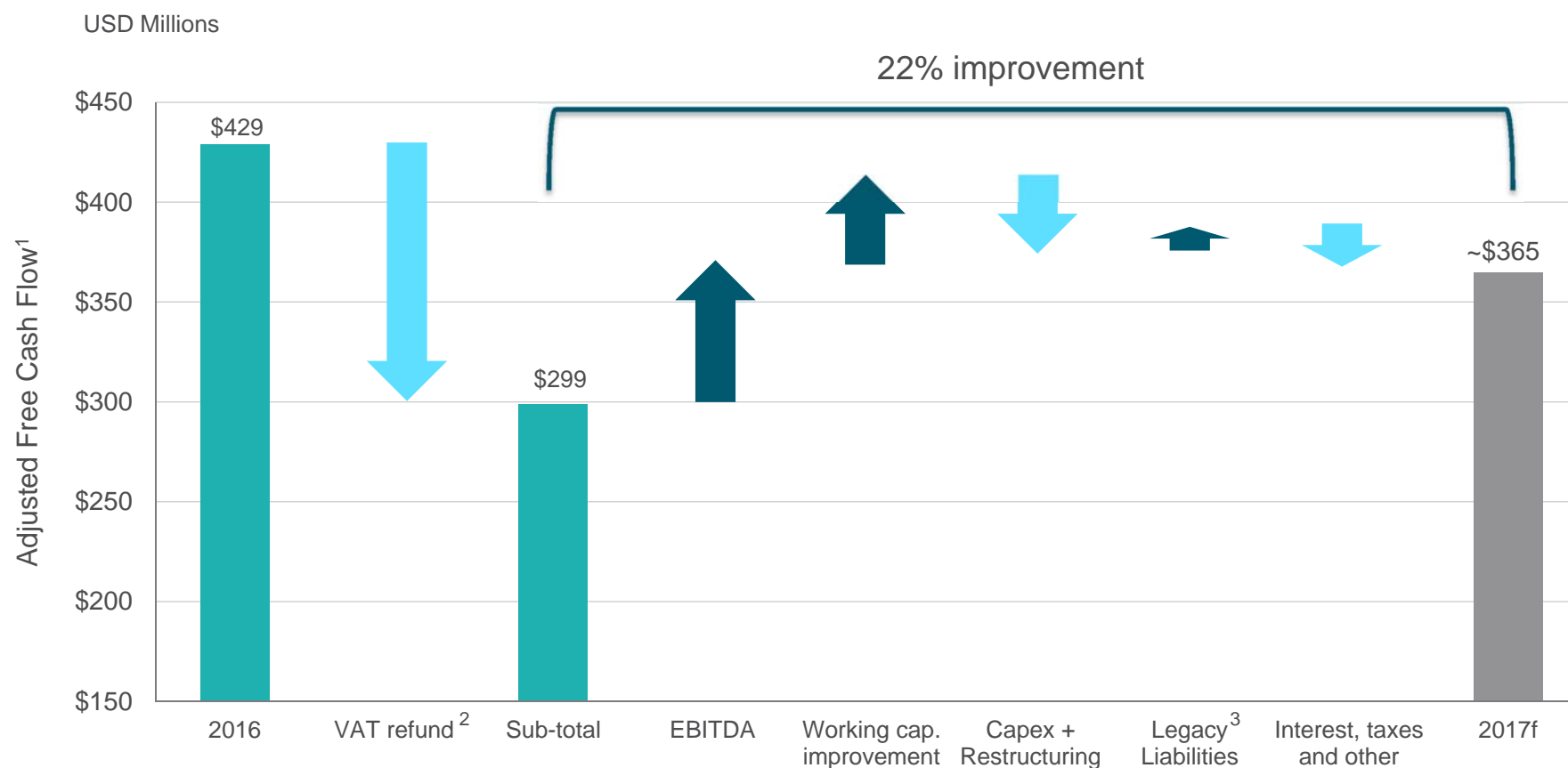
- Adjusted EPS growth of ~10% expected on a constant currency basis in 2017
- Strong contributions from higher sales volumes and strategic initiatives partially offset by price and non-repeat of energy credit



¹ Adjusted EPS excludes items management does not consider representative of ongoing operations. See the table entitled Reconciliation to Adjusted Earnings and Constant Currency and the table entitled Reconciliation to Expected Adjusted Earnings – FY17 Fcst and the table entitled Reconciliation to Adjusted Earnings and Constant Currency – 1Q and Full Year 2016 in the appendix of this presentation.

² Assumes currency rates as of January 31, 2017 continue for the remainder of the year.

2017 Adjusted Free Cash Flow Expected to be ~\$365M



¹ Adjusted free cash flow is defined as cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments. See appendix for Reconciliation to Adjusted Free Cash Flow.

² Non-recurrence of ~\$130 million VAT refund related to acquired business

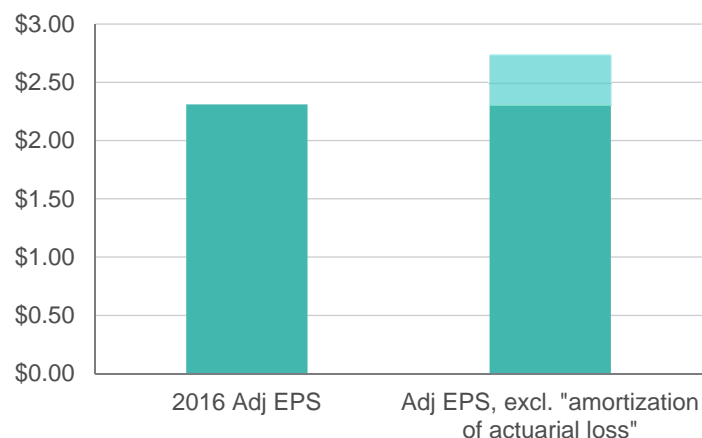
³ The cash flow impact to legacy liabilities includes asbestos-related payments and pension contributions

Note: Assumes currency rates as of January 31, 2017 continue for the remainder of the year .

Pension: Steady Despite Volatile Markets and Rates

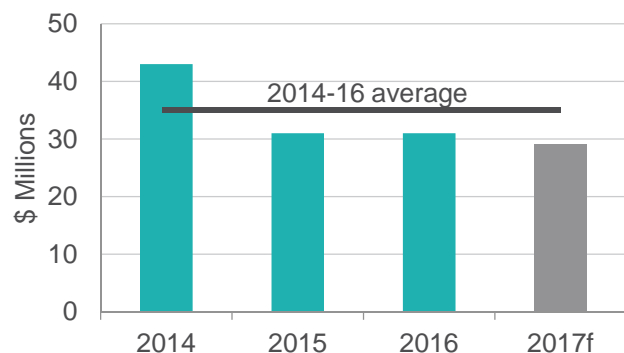
- O-I pension expense and contributions continue to be stable
- Reducing risk profile of pension liabilities
- De-risking efforts reducing our sensitivity to changes in discount rates
- Sustained non cash pension expense reduces EPS by ~ \$0.40¹

PENSION ACCOUNTING IMPACTS ANNUAL EPS

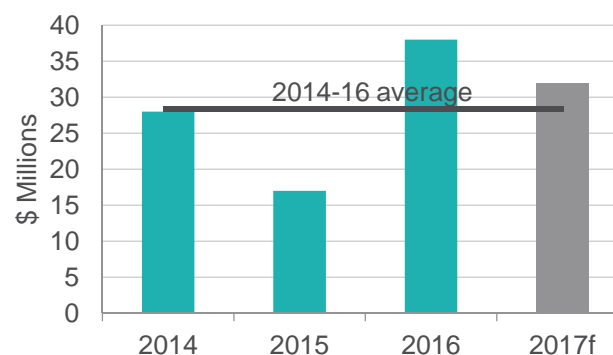


2017 pension contributions and expense expected to be similar to three year average

PENSION EXPENSE



PENSION CONTRIBUTIONS

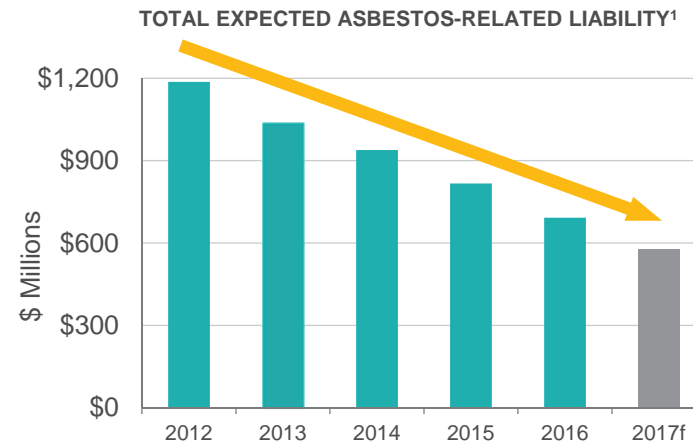
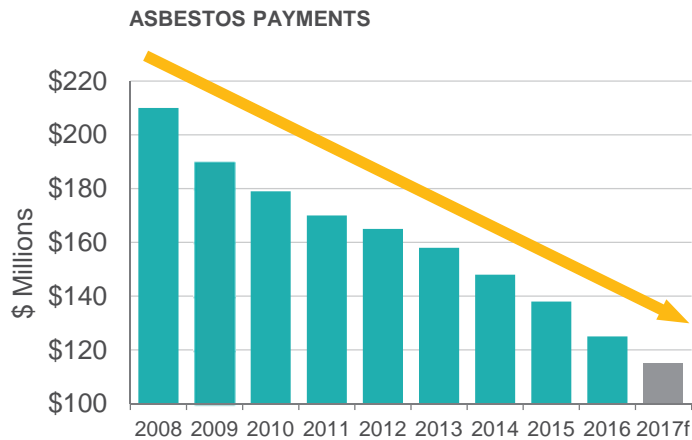


¹ Related to the "amortization of actuarial loss" component of pension expense, which is included in GAAP EPS and adjusted EPS.



Continued Favorable Trends in Asbestos

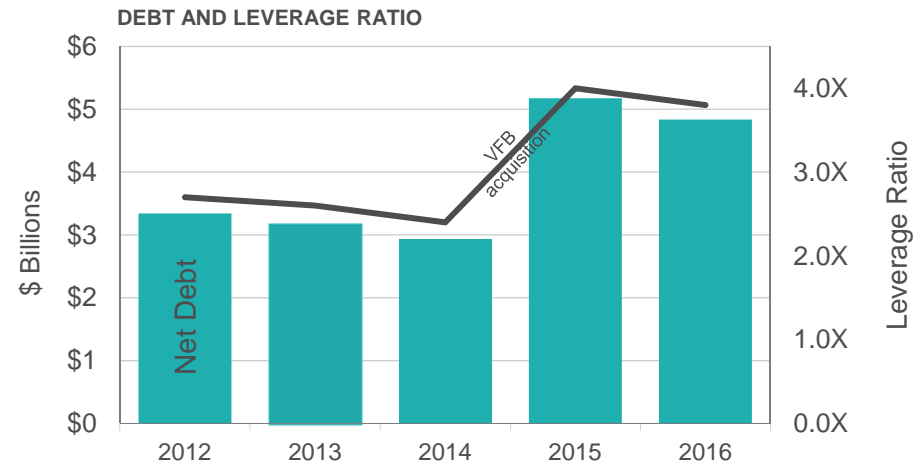
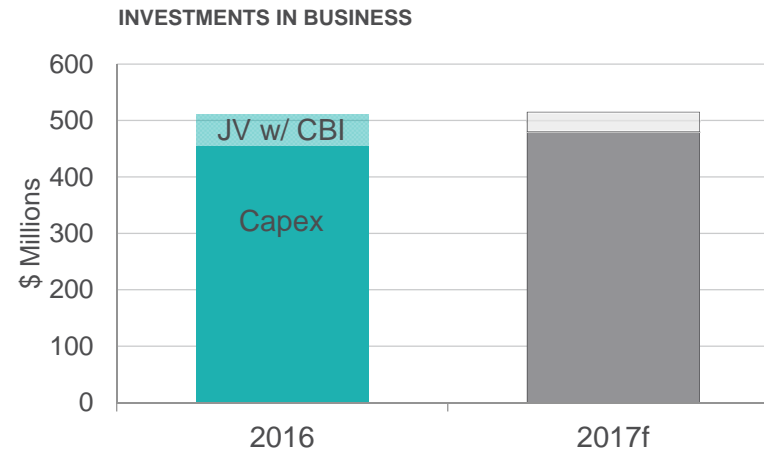
- Annual comprehensive legal review yielded no change to liability in 2016
- Expecting \$10-15M reduction in asbestos payments in 2017 vs prior year
- Payments in 2016 were 40% lower than 2008
- Average age of claimant is >80 years old and continues to increase each year



¹ The Company's ultimate asbestos-related liability cannot be estimated with certainty. As part of its future comprehensive annual reviews, the Company will estimate its total asbestos-related liability and such reviews may result in adjustments to the liability accrued at the time of the review. The 2017 forecasted asbestos-related liability is calculated as the Dec. 31, 2016 asbestos-related liability less the forecasted 2017 asbestos payments and does not include an adjustment for asbestos-related costs at this time.

Continued Balanced Approach to Use of Cash

1. Capital investments in the business expected to continue at current pace
 - Improve asset conditions and enhance productivity and flexibility
 - Consider strategic investments that exceed cost of capital
2. Continue to manage legacy liabilities
 - Asbestos-related payments expected to continue to decline
 - Opportunistically de-risk pension liabilities
3. Strong emphasis on deleveraging again in 2017
4. Ongoing analysis of capital return to shareholders as leverage ratio continues to improve



1Q17 Adjusted EPS Outlook

- Adjusted EPS growth of ~14% on a constant currency basis to midpoint of guidance
- Impact of initiatives expected to ramp up over the course of the year

| | | |
|---|----------------------|---|
| 1Q16 Adjusted EPS¹ | \$0.48 | |
| Currency Impact | (\$0.02) | Assumptions: ² EUR = 1.07; BRL = 3.13; COP = 2,931; AUD = 0.76; MXN = 20.8 |
| 1Q16 Adjusted EPS in Constant Currency¹ | \$0.46 | |
| Europe | ▲ | Flat sales vol; Mfg. initiatives more than offset ongoing price-cost pressure |
| North America | ▲ | Gain in sales volume; lower production costs; higher equity earnings |
| Latin America | ▼ | Strong ongoing performance in Mexico; price-cost headwinds of ~\$5-10M |
| Asia Pacific | ▲ | Higher sales and production volumes; price offsets inflation |
| Segment Operating Profit | ▲ | |
| Corporate and Other Costs | Varied | Corporate favorable: in line with historic average |
| | | Interest expense similar to 1Q16 |
| | | Annual tax rate projected to be ~24 - 25% |
| 1Q17 Adjusted EPS³ | \$0.50-\$0.55 | Continued trend of rising adjusted earnings |

On a constant currency basis²

¹ Adjusted EPS excludes items management does not consider representative of ongoing operations. See the table entitled Reconciliation to Adjusted Earnings and Constant Currency – 1Q and Full Year 2016 in the appendix of this presentation.

² Assumes currency rates as of January 31, 2017 continue for the remainder of the year.

³ Expected 1Q17 adjusted EPS represents expected GAAP EPS because there are no items that management does not consider representative of ongoing operations that have been identified at this time.

Appendix



4Q Price, Volume and Currency Impact on Reportable Segment Sales

\$ Millions

| | Europe | North America | Latin America | Asia Pacific | Total ¹ |
|---------------------------|--------------|------------------|------------------|--------------|--------------------|
| 4Q15 Segment Sales | \$515 | \$519 | \$387 | \$193 | \$1,614 |
| Currency ² | (15) | - | (7) | 6 | (16) |
| 4Q15 at constant currency | 500 | 519 | 380 | 199 | 1,598 |
| Price | (8) | 8 | 24 | 3 | 27 |
| Sales volume & mix | 13 | (16) | 6 | (5) | (2) |
| Total reconciling items | 5 | (8) | 30 | (2) | 25 |
| 4Q16 Segment Sales | <u>\$505</u> | <u>\$511</u> | <u>\$410</u> | <u>\$197</u> | <u>\$1,623</u> |

¹ Reportable segment sales exclude the Company's global equipment business.

² Currency effect determined by using month-end foreign currency exchange rates in 2016 to translate 2015 local currency results.

Full Year Price, Volume and Currency Impact on Reportable Segment Sales

\$ Millions

| | Europe | North America | Latin America | Asia Pacific | Total ¹ |
|--|---------|------------------|------------------|--------------|--------------------|
| 2015 Segment Sales | \$2,324 | \$2,039 | \$1,064 | \$671 | \$6,098 |
| Currency ² | (28) | (4) | (75) | (1) | (108) |
| 2015 at constant currency | 2,296 | 2,035 | 989 | 670 | 5,990 |
| Price | (26) | 25 | 71 | 9 | 79 |
| Sales volume & mix (excl. acquisition) | 30 | (36) | (40) | 5 | (41) |
| Acquisition | - | 196 | 412 | - | 608 |
| Total reconciling items | 4 | 185 | 443 | 14 | 646 |
| 2016 Segment Sales | \$2,300 | \$2,220 | \$1,432 | \$684 | \$6,636 |

¹ Reportable segment sales exclude the Company's global equipment business.

² Currency effect determined by using month-end foreign currency exchange rates in 2016 to translate 2015 local currency results.

4Q Price, Sales Volume, Operating Costs and Currency Impact on Reportable Segment Operating Profit

\$ Millions

| | Europe | North America | Latin America | Asia Pacific | Total ¹ |
|-------------------------------|--------|------------------|------------------|--------------|--------------------|
| 4Q15 Segment Operating Profit | \$28 | \$51 | \$75 | \$32 | \$186 |
| Currency ² | (4) | - | (3) | 1 | (6) |
| 4Q15 at constant currency | 24 | 51 | 72 | 33 | 180 |
| Price | (8) | 8 | 24 | 3 | 27 |
| Sales volume & mix | 3 | (2) | - | (1) | - |
| Operating costs | 26 | (5) | (21) | (6) | (6) |
| Total reconciling items | 21 | 1 | 3 | (4) | 21 |
| 4Q16 Segment Operating Profit | \$45 | \$52 | \$75 | \$29 | \$201 |

¹ Reportable segment data exclude the Company's global equipment business.

² Currency effect determined by using month-end foreign currency exchange rates in 2016 to translate 2015 local currency results.

Full Year Price, Sales Volume, Operating Costs and Currency Impact on Reportable Segment Operating Profit

\$ Millions

| | <u>Europe</u> | <u>North America</u> | <u>Latin America</u> | <u>Asia Pacific</u> | <u>Total¹</u> |
|--|---------------------|--------------------------|--------------------------|---------------------|--------------------------|
| 2015 Segment Operating Profit | \$209 | \$265 | \$183 | \$83 | \$740 |
| Currency ² | <u>(14)</u> | <u>(1)</u> | <u>(14)</u> | <u>3</u> | <u>(26)</u> |
| 2015 at constant currency | 195 | 264 | 169 | 86 | 714 |
| Price | (26) | 25 | 71 | 9 | 79 |
| Sales volume & mix (excl. acquisition) | 7 | (5) | (13) | 3 | (8) |
| Operating costs | 61 | (13) | (52) | (21) | (25) |
| Acquisition | <u>-</u> | <u>28</u> | <u>94</u> | <u>-</u> | <u>122</u> |
| Total reconciling items | <u>42</u> | <u>35</u> | <u>100</u> | <u>(9)</u> | <u>168</u> |
| 2016 Segment Operating Profit | <u><u>\$237</u></u> | <u><u>\$299</u></u> | <u><u>\$269</u></u> | <u><u>\$77</u></u> | <u><u>\$882</u></u> |

¹ Reportable segment data exclude the Company's global equipment business.

² Currency effect determined by using month-end foreign currency exchange rates in 2016 to translate 2015 local currency results.

Reconciliation to Earnings from Continuing Operations Before Income Taxes

(Dollars in millions)

| Unaudited | Three months ended | | Year ended | |
|--|--------------------|-----------------|-----------------|-----------------|
| | December 31 | | December 31 | |
| | 2016 | 2015 | 2016 | 2015 |
| Net sales: | | | | |
| Europe | \$ 505 | \$ 515 | \$ 2,300 | \$ 2,324 |
| North America | 511 | 519 | 2,220 | 2,039 |
| Latin America | 410 | 387 | 1,432 | 1,064 |
| Asia Pacific | 197 | 193 | 684 | 671 |
| Reportable segment totals | 1,623 | 1,614 | 6,636 | 6,098 |
| Other | 19 | 12 | 66 | 58 |
| Net sales | <u>\$ 1,642</u> | <u>\$ 1,626</u> | <u>\$ 6,702</u> | <u>\$ 6,156</u> |
| Segment operating profit ^(a) : | | | | |
| Europe | \$ 45 | \$ 28 | \$ 237 | \$ 209 |
| North America | 52 | 51 | 299 | 265 |
| Latin America | 75 | 75 | 269 | 183 |
| Asia Pacific | 29 | 32 | 77 | 83 |
| Reportable segment totals | 201 | 186 | 882 | 740 |
| Items excluded from segment operating profit: | | | | |
| Retained corporate costs and other | (23) | (21) | (98) | (70) |
| Items not considered representative of ongoing operations ^(b) | (144) | (54) | (156) | (151) |
| Interest expense, net | (73) | (63) | (272) | (251) |
| Earnings (loss) from continuing operations before income taxes | <u>\$ (39)</u> | <u>\$ 48</u> | <u>\$ 356</u> | <u>\$ 268</u> |
| Ratio of earnings (loss) from continuing operations before income taxes to net sales | -2.4% | 3.0% | 5.31% | 4.35% |
| Segment operating profit margin ^(c) : | | | | |
| Europe | 8.9% | 5.4% | 10.3% | 9.0% |
| North America | 10.2% | 9.8% | 13.5% | 13.0% |
| Latin America | 18.3% | 19.4% | 18.8% | 17.2% |
| Asia Pacific | 14.7% | 16.6% | 11.3% | 12.4% |
| Reportable segment margin totals | 12.4% | 11.5% | 13.3% | 12.1% |

(a) Segment operating profit consists of consolidated earnings before interest income, interest expense, and provision for income taxes and excludes amounts related to certain items that management considers not representative of ongoing operations as well as certain retained corporate costs.

The Company presents information on segment operating profit because management believes that it provides investors with a measure of operating performance separate from the level of indebtedness or other related costs of capital. The most directly comparable GAAP financial measure to segment operating profit is earnings from continuing operations before income taxes. The Company presents segment operating profit because management uses the measure, in combination with net sales and selected cash flow information, to evaluate performance and to allocate resources.

(b) Reference reconciliation to adjusted earnings and constant currency.

(c) Segment operating profit margin is segment operating profit divided by segment net sales.



Reconciliation to Adjusted Earnings and Constant Currency

(Dollars in millions, except per share amounts)

The reconciliation below describes the items that management considers not representative of ongoing operations.

| Unaudited | Three months ended | | Year ended | |
|---|--------------------|---------|-------------|---------|
| | December 31 | | December 31 | |
| | 2016 | 2015 | 2016 | 2015 |
| Earnings (loss) from continuing operations attributable to the Company | \$ (70) | \$ 8 | \$ 216 | \$ 139 |
| Items impacting segment operating profit: | | | | |
| Items impacting equity earnings | | | | 5 |
| Items impacting other expense, net: | | | | |
| Restructuring, asset impairment and other charges | 110 | 11 | 129 | 75 |
| Gain related to cash received from the Chinese government as compensation for land in China that the Company was required to return to the government | (64) | | (71) | |
| Strategic transactions costs | - | 4 | | 23 |
| Acquisition-related fair value intangible adjustments | - | 10 | | 10 |
| Charge for asbestos-related costs | - | 16 | | 16 |
| Items impacting cost of good sold: | | | | |
| Pension settlement charges | 98 | | 98 | |
| Acquisition-related fair value inventory adjustments | - | 12 | | 22 |
| Items impacting interest expense: | | | | |
| Charges for note repurchase premiums and write-off of finance fees | 9 | | 9 | 42 |
| Items impacting income tax: | | | | |
| Net benefit for income tax on items above | 6 | (5) | 1 | (15) |
| Tax expense (benefit) recorded for certain tax adjustments | (8) | 8 | (8) | 8 |
| Items impacting net earnings attributable to noncontrolling interests: | | | | |
| Net impact of noncontrolling interests on items above | - | | 2 | |
| Total adjusting items (non-GAAP) | \$ 151 | \$ 56 | \$ 160 | \$ 186 |
| Adjusted earnings (non-GAAP) | \$ 81 | \$ 64 | \$ 376 | \$ 325 |
| Currency effect on earnings (2015 only) ^(a) | | (4) | | (25) |
| Adjusted earnings on a constant currency basis (2015 only) (non-GAAP) | | \$ 60 | | \$ 300 |
| Diluted average shares (thousands) ^(b) | 162,193 | 161,733 | 162,825 | 162,135 |
| Earnings (loss) per share from continuing operations (diluted) | \$ (0.43) | \$ 0.04 | \$ 1.32 | \$ 0.85 |
| Adjusted earnings per share (non-GAAP) | \$ 0.50 | \$ 0.40 | \$ 2.31 | \$ 2.00 |
| Adjusted earnings per share on a constant currency basis (non-GAAP) | | \$ 0.37 | | \$ 1.85 |

(a) Currency effect on earnings determined by using month-end foreign currency exchange rates in 2016 to translate 2015 local currency results.

(b) For adjusted earnings per share, the diluted average shares (in thousands) are 163,478 for the three months ended December 31, 2016.

Reconciliation to Expected Adjusted Earnings - FY17 Fcst

(Dollars in millions, except per share amounts)

Unaudited

| | Forecast for Year Ended | |
|---|---------------------------------|----------------------------------|
| | December 31, 2017 | |
| | Low End of Guidance Range | High End of Guidance Range |
| Earnings from continuing operations attributable to the Company | \$ 391 | to \$ 408 |
| Items management considers not representative of ongoing operations: None ^(a) | | - |
| Total adjusting items (non-GAAP) | \$ - | \$ - |
| Adjusted earnings (non-GAAP) | \$ 391 | to \$ 408 |
| Diluted average shares (thousands) | 163,000 | 163,000 |
| Earnings per share from continuing operations (diluted) | \$ 2.40 | to \$ 2.50 |
| Adjusted earnings per share (non-GAAP) | \$ 2.40 | to \$ 2.50 |

(a) At this time, management has not identified any expected items in 2017 that are not representative of ongoing operations

Reconciliation to Adjusted Earnings and Constant Currency – 1Q and Full Year 2016

(Dollars in millions, except per share amounts)

The reconciliation below describes the items that management considers not representative of ongoing operations.

| Unaudited | Three months ended March 31 2016 | Year ended December 31 2016 |
|---|--|-----------------------------------|
| Earnings from continuing operations attributable to the Company | \$ 68 | \$ 216 |
| Items impacting other expense, net: | | |
| Restructuring, asset impairment and other charges | 19 | 129 |
| Gain related to cash received from the Chinese government as compensation for land in China that the Company was required to return to the government | (7) | (71) |
| Items impacting cost of good sold: | | |
| Pension settlement charges | | 98 |
| Items impacting interest expense: | | |
| Charges for note repurchase premiums and write-off of finance fees | | 9 |
| Items impacting income tax: | | |
| Net benefit for income tax on items above | (4) | 1 |
| Tax expense (benefit) recorded for certain tax adjustments | | (8) |
| Items impacting net earnings attributable to noncontrolling interests: | | |
| Net impact of noncontrolling interests on items above | <u>2</u> | <u>2</u> |
| Total adjusting items | <u>10</u> | <u>160</u> |
| Adjusted earnings | <u>\$ 78</u> | <u>\$ 376</u> |
| Currency effect on earnings ⁽¹⁾ | <u>\$ (4)</u> | <u>\$ (15)</u> |
| Adjusted earnings on a constant currency basis | <u>\$ 74</u> | <u>\$ 361</u> |
| Diluted average shares (thousands) | <u>161,793</u> | <u>162,825</u> |
| Earnings per share from continuing operations (diluted) | <u>\$ 0.42</u> | <u>\$ 1.32</u> |
| Adjusted earnings per share | <u>\$ 0.48</u> | <u>\$ 2.31</u> |
| Adjusted earnings per share on a constant currency basis | <u>\$ 0.46</u> | <u>\$ 2.22</u> |

(1) Currency effect on earnings determined by using January 31, 2017 foreign currency exchange rates to translate 2016 local currency results.

Reconciliation to Adjusted Free Cash Flow

\$ Millions

Unaudited

| | <u>2015</u> | <u>2016</u> | <u>2017 Fcst</u> |
|---|-------------------|-----------------|----------------------|
| Cash provided by continuing operating activities | \$ 612 | \$ 758 | ~ \$ 730 |
| Deduct: Additions to property, plant and equipment | (402) | (454) | ~ (480) |
| Add: Asbestos-related payments | <u>138</u> | <u>125</u> | <u>~ 115</u> |
| Adjusted free cash flow (non-GAAP) | <u>\$ 348</u> | <u>\$ 429</u> | <u>~ \$ 365</u> |
| Cash utilized in investing activities | <u>\$ (2,748)</u> | <u>\$ (417)</u> | <u>(a)</u> |
| Cash provided by (utilized in) financing activities | <u>\$ 2,057</u> | <u>\$ (228)</u> | <u>(a)</u> |

(a) Forecasted amounts are not yet determinable at this time.

Note: Management defines adjusted free cash flow as cash provided by continuing operating activities less additions to property, plant and equipment plus asbestos-related payments (all components as determined in accordance with GAAP).

Impact from Currency Rates

| | Approx. translation impact on EPS from 10% FX change |
|-------------------|--|
| Euro | \$0.10 |
| Mexican peso | \$0.07 |
| Brazilian real | \$0.05 |
| Colombian peso | \$0.03 |
| Australian dollar | \$0.05 |